

ANNUAL REPORT 2023



Funds Managed by:
AKD Investment Management Ltd

Partner with AKD
Profit form the Experience

CORPORATE INFORMATION

MANAGEMENT COMPANY

AKD Investment Management Limited
216-217, Continental Trade Centre, Block-8, Clifton, Karachi-74000.

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Chairman

Mr. Abdul Karim

Chief Executive Officer

Mr. Imran Motiwala

Director(s)

Ms. Anum Dhedhi

Ms. Aysha Ahmed

Mr. Ali Wahab Siddiqi

Mr. Hasan Ahmed

Mr. Abid Hussain*

Mr. Saim Mustafa Zuberi**

* Appointed on May 22, 2023 in place of Mr. Saim Mustafa Zuberi

** Resigned on February 21, 2023

CHIEF OPERATING OFFICER AND COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Mr. Muhammad Yaqoob Sultan, CFA

CHIEF FINANCIAL OFFICER OF THE MANAGEMENT COMPANY

Mr. Muhammad Munir Abdullah

HEAD OF INTERNAT AUDIT OF THE MANAGEMENT COMPANY

Ms. Tayyaba Masoom Ali, ACA (ICAP & ICAEW)

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Ali Wahab Siddiqui (Chairman)

Mr. Hasan Ahmed (Member)

Ms. Tayyaba Masoom Ali, ACA (ICAP & ICAEW) (Secretary)

HUMAN RESOURCE AND REMUNERATION (HR & R) AND NOMINATION COMMITTEE

Ms. Aysha Ahmed (Chairperson)

Mr. Abdul Karim (Member)

Mr. Imran Motiwala (Member)

Ms. Anum Dhedhi (Member)

Mr. Muhammad Yaqoob Sultan, CFA (Secretary)

RATING

AKD Investment Management Limited AM3++ (AM Three Plus Plus) issued by PACRA

VISION

To serve investors in Pakistan's capital markets with diligence, integrity and professionalism, thereby delivering consistent superior returns and unparalleled customer service.

MISSION STATEMENT

- » Keep primary focus on investing clients' interest
- » Achieve highest standards of regulatory compliance and good governance
- » Prioritize risk management while endeavouring to provide inflation adjusted returns on original investment
- » Enable the investing public and clients to make AKDIML Funds a preferred part of their overall savings and investment management strategy
- » Distinguish themselves and compete on the basis of unparalleled service quality while setting industry standards for professionalism, transparency and consistent leading performance
- » Foster and encourage technical, professional, ethical development of human capital to provide our people the best opportunities and environment for their personal growth.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of AKD Investment Management Limited (AKDIML), the Management Company of AKD Opportunity Fund (AKDOF), Golden Arrow Stock Fund (GASF), AKD Index Tracker Fund (AKDITF), AKD Islamic Stock Fund (AKDISSF), AKD Cash Fund (AKDCF), AKD Aggressive Income Fund (AKDAIF), AKD Islamic Income Fund (AKDISIF) and AKD Islamic Daily Dividend Fund (AKDIDDF) is pleased to present its annual report along with the Funds' audited Financial Statements for the year ended June 30, 2023.

FUNDS' FINANCIAL PERFORMANCE

AKD Opportunity Fund (AKDOF)

For the FY23, the return of AKD Opportunity Fund stood at -12.03% compared to the benchmark KSE-100 Index return of -0.21%.

Golden Arrow Stock Fund (GASF)

For the FY23, the return of Golden Arrow Stock Fund stood at -10.37% compared to the benchmark KSE-100 Index return of -0.21%.

AKD Islamic Stock Fund (AKDISSF)

For the FY23, the return of AKD Islamic Stock Fund stood at -17.92% compared to the benchmark KMI-30 Index return of 2.88%.

AKD Index Tracker Fund (AKDITF)

For the FY23, the return of AKD Index Tracker Fund stood at -1.10% compared to the benchmark KSE-100 Index return of -0.21%.

AKD Cash Fund (AKDCF)

For the FY23, the return of AKD Cash Fund stood at 17.24% compared to the benchmark return of 17.02%.

Distribution for the year ended June 30, 2023:

The Board of Directors approved a final distribution (including refund of element) of Rs 0.1933 per unit. This is in addition to interim distribution (including refund of element) of Rs. 8.1929 per unit approved by the Chief Executive under authority granted by the Board of Directors of the Management Company during the year.

AKD Islamic Income Fund (AKDISIF)

For the FY23, the return of AKD Islamic Income Fund stood at 17.65% compared to the benchmark return of 6.06%.

Distribution for the year ended June 30, 2023:

The Board of Directors approved a final distribution (including refund of element) of Rs 0.0747 per unit. This is in addition to interim distribution (including refund of element) of Rs. 8.5912 per unit approved by the Chief Executive under authority granted by the Board of Directors of the Management Company during the year.

AKD Aggressive Income Fund (AKDAIF)

For the FY23, the return of AKD Aggressive Income Fund stood at 2.16% as compared to the benchmark return of 18.60%.

Distribution for the year ended June 30, 2023:

The Board of Directors approved a final distribution (including refund of element) of Rs 0.1690 per unit. This is in addition to interim distribution (including refund of element) of Rs. 0.9275 per unit approved by the Chief Executive under authority granted by the Board of Directors of the Management Company during the year.

AKD Islamic Daily Dividend Fund (AKDIDDF)

Since the inception of the fund i.e. February 17, 2023, the annualized return of AKD Islamic Daily Dividend Fund stood at 17.60% as compared to the benchmark return of 6.62%.

Distribution for the year ended June 30, 2023:

The Chief Executive under the authority granted by the Board of Directors approved total distribution of Rs. 3.1338 per unit to the unit holders during the year ended June 30, 2023.

MACRO PERSPECTIVE

Over the past year, Pakistan's economy went through a major economic crisis perhaps the worst since independence that led to an unprecedented increase in interest rates and inflation, recording new records in all fronts. The crisis stemmed from the start of the Russia-Ukraine war in February 2022 after which the international commodities prices sharply moved up and coupled with unsustainable global debt levels a number of developing country economies were in complete tail spin. Pakistan was no exception being a net importing country dependent for key essentials like oil, widening deficits of both the current and fiscal account was imminent as the local currency went into free fall and foreign reserves eroded. Hence, to contain the widening Current Account Deficit, the Government had to impose major import restrictions. Through the timely administrative measures adopted by the Government, Pakistan managed to circumnavigate the most difficult economic situation in the Country's history, averting a sovereign default and securing a nine-month Standby Arrangement of US\$3bn with the IMF.

The SBP has proactively focused on restricting the demand growth by adopting monetary contraction through rate increases since June 2020 (*interest rates at 7%*) while the incumbent government resorted to Fiscal tools such as increasing existing taxes along with introducing new ones. In FY23 alone, the SBP

increased the interest rates by 825bps to 22%. Additionally, key conditions of the IMF Program asking for removal of subsidies led to hikes in all utility prices across the board adding inflationary pressures further and higher unemployment. However, the fruits of these politically difficult policies have already started to reflect in demand contraction with most high frequency indicators (*Cement, Auto and POL product sales*). Another important measure that the government took to compress demand was to allow the “Free Float” of the currency, which notably led to a sharp depreciation of the Pak Rupees and naturally contained imports, supported exports and home remittances.

The Current Account Surplus for the month of June 2023 clocked in at USD 334 million, from a Current Account Surplus of USD 220 million (revised) in May 2023 taking the FY23 CAD to USD 2.56 billion (-0.7% of GDP) against USD 17.48 billion (-4.7% of GDP), down -85% YoY during the same period last year primarily due to decline in imports as the Government’s initiatives to stabilize the economy were visibly bearing fruit.

The Government’s resilient efforts to attract investments from Non-Resident Pakistanis continued to yield results, with an impressive inflow of USD 6.48 billion through Roshan Digital Accounts (RDA) with more than 590,000 accounts till July 2023.

Moreover, the FBR collected revenues worth PKR 7.17 trillion during FY23 against the target of 7.64 trillion missing the target by PKR 496 billion despite the imposition of nearly PKR 800 billion additional taxes due to a steep decline in imports and an overall slowdown of the economy.

During FY23, the external account remained a major cause of concern as Pakistan’s liquid foreign exchange reserves decreased by USD 5.70 billion on the back of debt servicing primarily. As of June 30, 2023, the Country’s liquid foreign exchange reserves stood at USD 9.75 billion (*SBP reserves USD 4.46 billion*).

The new IMF program will provide a policy framework to bring power sector reforms in the country along with the SOE governance. This program will support Pakistan in obtaining additional funds from its bilateral partners which is extremely essential in a period of low FX reserves and high debt servicing. The exchange rate is likely to appreciate in the short term due to speculative activity; however, will remain under depreciative pressure till sizeable foreign inflows do not materialize.

The NCPI during the month of August 2023 clocked in at 27.38% YoY as compared to 29.40% YoY in July 2023. This took the 2MFY24 average NCPI to 27.84% compared to 26.10% during the SPLY. The main contributors to the increase in inflation are Housing, Water, Electricity, Gas, and Fuel (weight in CPI 23.63%) with an impact of 0.21% MoM / 6.25% YoY because of the increasing fuel and utility prices and exchange devaluation. Furthermore, food inflation came lower than expected which caused the decline in inflation as noticed by the Food and Non-alcoholic Beverages Index (weight in CPI 34.58%) with an impact of 0.23% MoM / 38.51% YoY.

The Large Scale Manufacturing (LSMI) sector, which accounts for about 80% of the country's industrial output, shrank for the 12th consecutive month in June, by 14.96 percent YoY, leading to contract by 10.26% in FY23 as almost all major industries reported substantial declines. Without say, the fallout of the restrictive measures undertaken by the central bank and the government to contain the current account deficit notably weighed heavily on the industry.

EQUITY MARKET REVIEW

The Equity market, despite closing in flat at 41,452.68 level, decreasing 88 points (-0.21% YoY) remained extremely volatile during the year with excitement over letter of intent from IMF, financial support from KSA, UAE and other bilateral partners, strong corporate results, appointment of the new Chief of Army Staff and the long-awaited Federal Budget FY23. The market also witnessed anxious moments with flash floods that contributed to loss of USD 30 billion, monetary tightening, unprecedented inflation and prolonged political uncertainty investors had very little to celebrate this past year.

During FY23, investor participation declined as volumes contracted by 34% YoY to 190.82 million shares from 291.47 million shares recorded during last year. Surprisingly, after five consecutive years of outflows, foreigners were net buyers in FY23 with USD 1.53 million. Foreigner's interest was majorly caught in Technology and Communication (*USD 43.30 million*) and Oil and Gas Exploration Companies (*USD 27.42 million*).

The sectors that performed during FY23 are Chemical (15.74%), Cement (8.00%), Synthetic & Rayon (40.34%), Investment Banks/Companies (8.16%), and Sugar & Allied Industries (13.00%). While the sectors that kept the bulls in check are Commercial Banks (-9.81%), Pharmaceuticals (-40.36%), Automobile Assembler (-25.67%), Tobacco (-26.18%), and Oil & Gas Exploration Companies (-6.54%). On the local front, major selling was witnessed in Mutual Funds (*USD 144.49 million*) and Insurance Companies (*USD 124.31 million*) as panic swayed away local investors to safer havens and fixed income given that interest rates are almost at record highs.

On a 10Y period, the KSE - 100 index yielded an annualized return of 7.03% (-3.68% annualized in USD terms). The persistent decline in the local currency against the US Dollar has kept foreign investors at bay despite extremely compelling valuations. While foreigners have been on the sell side for several years now; frontier market investors are likely to turn net buyers given the unprecedented currency adjustment and cheap valuations provided that Pakistan implement key economic and policy reforms.

We remain positive towards equities based on the premise that i) holding Cash for real value would not be possible given high inflation and currency devaluation, ii) real value over the long term can only be secured in inflation hedged assets such as Real Estate, Gold or Equity, iii) we believe that Gold has rallied significantly over the past several months and is in its consolidation phase while Real Estate being illiquid and capital intensive besides being on the government's radar for taxing, equities plausibly

seems the prime candidate for a long term investment strategy. The index continues to trade at exceedingly attractive multiples with PE and PB of 4.54x and 0.6x with a healthy dividend yield of 10%.

FIXED INCOME REVIEW

During FY23, the State Bank of Pakistan maintained an aggressive monetary tightening stance, steadily increasing the policy rate to an unprecedented historical high of 22.00%. This decisive approach was taken in response to un-abating inflationary pressures, with the average NCPI for FY23 soaring to 29.18%, and the pressing need to fortify the country's deteriorating external account.

The heightened policy rate played a significant role in driving up the rates of government securities, attracting substantial investments into these instruments as investors sought improved returns offered by government debt securities.

Throughout the year, the State Bank of Pakistan conducted a total of twenty-seven (27) Market Treasury Bill (MTB) auctions, where the government managed to raise PKR 25.15 trillion against the auction target of PKR 24.43 trillion. Notably, the weighted average yields for 3, 6, and 12-month MTBs were 18.07%, 18.03%, and 18.07% respectively, up by 791 bps, 748 bps, and 754 bps as compared to 10.16%, 10.54%, and 10.53% during the same period last year.

To further address the need for liquidity, SBP also conducted twelve (12) auctions of fixed-rate Pakistan Investment Bond (PIB) and was successful in raising PKR 1.30 trillion. The weighted average yield for 3, 5, and 10 years PIBs increased by 456 bps, 263 bps, and 191 bps to 15.22%, 13.32%, and 12.94% respectively, as compared to 10.65%, 10.69%, and 11.03% during the same period last year as the yield curve remains inverted.

In the market for Shariah Compliant instruments, the SBP conducted a total of twenty-four (24) auctions of GOP Ijara Sukuk, both Variable Rental Rate (VRR) and Fixed Rental Rate (FRR). These auctions successfully raised PKR 870.78 billion against the auction target of PKR 1,620 billion. Furthermore, during the third quarter of this fiscal year, the SBP introduced 1-year and 3-year GOP Ijara Sukuk.

Moreover, the State Bank of Pakistan carried out 134 Open Market Operations (OMOs) with varying maturities, injecting PKR 57.18 trillion into the market at an average cut-off yield of 17.55% and mopped up PKR 6.73 trillion at an average cut-off yield of 17.06%.

Looking ahead to the auction target calendars for August through October 2023, the State Bank of Pakistan aims to raise PKR 8.25 trillion by issuing 3 to 12-month MTBs against the maturing amount of PKR 8.91 trillion. Additionally, the SBP targets to raise PKR 480 billion through 3 to 30-year fixed-rate PIBs and PKR 1,520 billion through 2 to 10-year floating-rate PIBs.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- (a) The financial statements, prepared by the Management of the Company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and movement in unit holders' funds.
- (b) Proper books of account of the Funds have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgments.
- (d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed.
- (e) The system of internal control is sound in design and has effectively implemented and monitored.
- (f) There are no significant doubts upon the Funds' ability to continue as a going concern.
- (g) Statutory payments, taxes, duties, levies and charges, if any have been properly disclosed in the financial statements.
- (h) Summary of key financial data / performance tables is appended to the Financial Statements of the Funds.
- (i) The Pattern of unit holdings is appended to the Financial Statements of the Funds.
- (j) The statement showing the attendance of Directors in BOD meetings and Audit Committee meetings is as under:

S.No.	Name of Director	MEETINGS ATTENDANCE				Attended	Leave
		28-Apr-23	24-Feb-23	28-Oct-22	28-Sep-22		
1	Mr. Abdul Karim	✓	✓	✓	✓	4	0
2	Mr. Imran Motiwala	✓	✓	✓	✓	4	0
3	Ms. Anum Dhedhi	✓	✓	✓	✓	4	0
4	Mr. Saim Mustafa Zuberi*	—	—	✓	✓	2	0
5	Mr. Ali Wahab Siddiqui	✓	✓	✓	✓	4	0
6	Mr. Hasan Ahmed	✓	✓	✓	✓	4	0
7	Ms. Aysha Ahmed	✓	✓	✓	✓	4	0

S.No.	Name of Director	MEETINGS ATTENDANCE				Attended	Leave
		28-Apr-23	24-Feb-23	28-Oct-22	28-Sep-22		
1	Mr. Ali Wahab Siddiqui	✓	✓	✓	✓	4	0
2	Mr. Hasan Ahmed	✓	✓	✓	✓	4	0
3	Mr. Saim Mustafa Zuberi*	—	—	✗	✗	0	2

*Resigned on February 21, 2023

- (k) There have been no trades in the units of the Funds carried out by the Directors, CEO, CFO, CIO, COO, Company Secretary and their spouses and minor children of the Management Company other than as disclosed below and in the note to the financial statements:

S.No.	Trades by	Designation	Investment (No of Units)	Redemption (No of Units)
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AKD ISLAMIC INCOME FUND

1	Imran Motiwala	CEO & Director	58,142	58,142
2	Sehr Imran Motiwala	Spouse - CEO & Director	947,645	947,645
3	Anum Dhedhi	CIO & Director	47	82,504
4	Ameer Arif Dagha	Spouse - CIO & Director	995	282,997
5	Ali Wahab Siddiqui	Director	203,373	-
6	Hasan Ahmed	Director	123	-
7	Muhammad Yaqoob	COO & Company Secretary	7,714	7,863
8	Abdul Rehman Yaqoob	Minor Children - COO &	423	-
9	Ayesha Yaqoob	Minor Children - COO &	423	-
10	Muhammad Amin Yaqoob	Minor Children - COO &	423	-

AKD ISLAMIC STOCK FUND

1	Imran Motiwala	CEO & Director	-	2,237
2	Sehr Imran Motiwala	Spouse - CEO & Director	-	22,415
3	Anum Dhedhi	CIO & Director	104,968	104,968

AKD OPPORTUNITY FUND

1	Imran Motiwala	CEO & Director	-	36,602
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GOLDEN ARROW STOCK FUND

1	Imran Motiwala	CEO & Director	-	1,476,000
2	Muhammad Yaqoob	COO & Company Secretary	-	100,000

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

- i. The total number of directors are seven as follows:
 - a) Male: Five
 - b) Female: Two
- ii. The composition of the Board of Directors is as follows:
 - Independent Director: Three
 - Non-Executive Directors: Five
 - Executive Directors: Two
 - Female directors: Two

RATING OF THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Limited (PACRA) has assigned Asset Manager Rating of AM3++ (A M three Plus Plus) to AKD Investment Management Limited (AKDIML) on June 27, 2023.

RATING OF THE FUNDS

AKD OPPORTUNITY FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 5-Star Performance Ranking in long term [based on performance review of trailing 36 months (3 Year) and trailing 60 months (5 Year)] and 3-Star Performance Ranking in short term [based on performance review of trailing 12 months (1 Year)] for the period ended December 31, 2022 to AKD Opportunity Fund (AKDOF) on February 13, 2023.

AKD CASH FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the stability rating of “AA+(f)” (Double A Plus; fund stability rating) for the period ended December 31, 2022 to AKD Cash Fund (AKDCF) on March 8, 2023.

AKD AGGRESSIVE INCOME FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the stability rating of “A+(f)” (Single A Plus; fund stability rating) for the period ended December 31, 2022 to AKD Aggressive Income Fund (AKDAIF) on March 8, 2023.

GOLDEN ARROW STOCK FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 5-Star Performance Ranking in long term [based on performance review of trailing 36 months (3 Year) and trailing 60 months (5 Year)] and 4-Star Performance Ranking in short term [based on performance review of trailing 12 months (1 Year)] for the period ended December 31, 2022 to Golden Arrow Stock Fund (GASF) on February 13, 2023.

AKD ISLAMIC INCOME FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the stability rating of “AA-(f)” (Double A Minus; fund stability rating) for the period ended December 31, 2022 to AKD Islamic Income Fund (AKDISIF) on March 6, 2023.

AKD ISLAMIC STOCK FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 4-Star Performance Ranking in long term [based on performance review of trailing 36 months (3 Year)] and 2-Star Performance Ranking in short term [based on performance review of trailing 12 months (1 Year)] for the period ended December 31, 2022 to AKD Islamic Stock Fund (AKDISSF) on February 13, 2023.

AKD ISLAMIC DAILY DIVIDEND FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned initial stability rating of “AA(f)” (Double A; fund stability rating) to AKD Cash Fund (AKDCF) on March 20, 2023.

HOLDING COMPANY

AKD Group Holdings (Private) Limited [Formerly: Aqeel Karim Dhedhi Securities (Private) Limited] is the holding company of AKD Investment Management Limited and holds 99.97% of the outstanding ordinary shares of the Company.

APPOINTMENT OF AUDITORS

The Board re-appointed M/s Yousuf Adil, Chartered Accountants as the statutory auditors for AKD Opportunity Fund, AKD Index Tracker Fund, AKD Cash Fund, AKD Aggressive Income Fund and AKD Islamic Daily Dividend Fund and M/s Riaz Ahmad & Company, Chartered Accountants as the statutory auditor for Golden Arrow Stock Fund, AKD Islamic Income Fund and AKD Islamic Stock Fund for the year 2023-2024 as recommended by the Audit Committee.

ACKNOWLEDGEMENTS

The Directors would like to take this opportunity to thank the Securities and Exchange Commission of Pakistan, the Ministry of Finance, the State Bank of Pakistan and the Management of the Pakistan Stock Exchange for their continued support and cooperation. The Board also appreciates the devoted performance of the staff and officers of the AKD Investment Management Limited. The Board will also like to thank the investors for their confidence in the Company.

FUTURE OUTLOOK

As we move into FY24, we believe that structural changes and reforms are necessary to turn around the current economic state addressing fiscal imbalances and external vulnerabilities with sustainable stability. While market consensus suggests foreseeably that the Central Bank has reached its monetary tightening cycle for now, both the fiscal and external accounts are likely to remain very challenging for the Government in the coming year. On the other hand, notably inflation is expected to come off sharply as the high base effect plays out, perhaps providing much needed respite in the form of a reduction in interest rates as debt servicing remains worrying.

The Government announced the Finance Bill for FY23-24 on June 9, 2023 with high expectations and in hopes to regain lost political capital amid one of the worst economic conditions on record. The Finance Minister set GDP growth expectations for FY24 at 3.5% compared to 0.29% in FY23 (*provisional*). Moreover, the Average NCPI target for FY24 is 21% and Budget Deficit and Primary Surplus targets have been set at 6.54% and 0.4% of GDP respectively. Lastly, the Ministry of Finance has targeted exports and remittances to clock at USD 30 billion and USD 33 billion, respectively.

The FBR revenue target is set at PKR 9.4 trillion in FY24. Additionally, the Federal Non-tax revenue target has been marked at PKR 2.96 trillion, 83% higher than FY23. The government is expecting total expenditures of PKR 14.48 trillion in FY24 which is 52% higher than FY23. The Federal Public Sector Development Plan seemingly optimistic is set at PKR 950 billion, 67% higher than in the same period last year. The government has set PKR 7.3 trillion for debt servicing in FY24. The expenditure on defense is at PKR 1.8 trillion in FY24, 15% higher than the last year's budget. While the external debt payment in FY24 has been budgeted at USD 22 billion, which is likely to keep the local currency in check and with it economic direction and performance.

Some of the main provisions of the Finance Bill are as follows:

- Increasing salary tax slabs on people earning PKR 200k per month and above
- Increase in maximum allowed Petroleum Development Levy (PDL) by PKR 10 to PKR 60.
- Imposition of 5% FED on Fertilizers
- Rate of tax IT and IT enabled services was changed from 16% to 5% (without input adjustment).
- The rate of advance tax on sale/purchase of immovable property has been increased from 2% to 3%
- Advance tax on motor vehicles having engine capacity more than 2000cc has been based on value ranging from 6% to 10%
- Re-imposition of 10% final withholding tax on issuance of bonus shares by a company (20% for non-ATL).
- The amnesty provided to people bringing FX to purchase property has incidentally also been withdrawn in line with IMF requirements.

We believe that the support from IMF will help subside the default risk that the country was adamantly facing and more importantly play a major confidence boost for the financial markets. The Equity market rallied around 2,446.32 points (5.90%) on July 3, 2023 – single day highest gain in years on the back of this single event, illustrating that the markets believe that the Country has effectively averted an imminent default. However, the ruling government and economic managers will need to be extremely vigilant and pragmatic for sustainable stability and growth as headwinds remain.

Going forward, the key factors that would drive the market direction include IMF's second quarterly review for the USD 3 billion loan facility under the SBA and clarity on the holding of general elections in Pakistan. One of the key challenges that the Government has been struggling with is to bring down the difference between the interbank and open market exchange rate which has now reached ~7% while the IMF believes the deviation needs to be maintained up to 1.25%. Moreover, the Government will also have to implement some strict measures to contain the soaring fiscal deficit and achieve the desired target of primary surplus agreed with the IMF which will bring a new wave of inflation pressures.

While Pakistan faces one of the worst economic crisis in recent history, we believe that equities as an asset class has over discounted itself. The premise of our positive outlook and re-rating of the capital market stems from the likelihood of Pakistan successfully completing the new SBA IMF program which will notably entail a continuity in reforms and fiscal discipline. The index is trading at a PE multiple of

4.54x far below the long-term averages. The dividend yield is attractive at 10% which is the highest in the region and with the last REER recorded at 87.7492 in June 2023 suggesting the currency has room to appreciate will probably justify and attract foreign investment which can also be noted by the recent month's inflows. We believe that the market currently serves as a striking point for investors.

For and on behalf of the board

Imran Motiwala
Chief Executive Officer

Abdul Karim
Chairman

Karachi: September 22, 2023

FUND INFORMATION

AKD Islamic Stock Fund



Management Company

AKD Investment Management Limited
216-217, Continental Trade Centre,
Block 8, Clifton, Karach - 74000

Trustee

Digital Custodian Company Limited (DCCL)
[Formerly: MCB Financial Services Limited (MCBFSL)]
4th Floor, Perdesi House, 2/1 R-Y Old Queens Road
Karachi-74200

Bankers

Bankislami Pakistan Limited

Auditors

Riaz Ahmad and Company
Chartered Accountants
Office No. 5, 20th Floor, Bahria Town Tower
Block 2, P.E.C.H.S.
Karachi, Pakistan

Legal Advisor

Sattar & Sattar
Attorneys-at-Law
3rd Floor, UBL Building
I.I Chundrigar Road, Karachi.

Registrar

AKD Investment Management Limited
216-217, Continental Trade Centre,
Block 8, Clifton, Karach - 74000
UAN: 111-253-465 (111-AKDIML)

Distributor

Al-Hilal Securities Advisors (Pvt.) Ltd.
Financial Investments Mart (Pvt) Ltd.
Investlink Advisor (Private) Limited.
Investomate (Private) Limited
YPay Financial Services (Pvt.) Ltd.

Rating-AKDISSF

By PACRA
Performance Ranking
LT Rating: 4-Star
ST Rating: 2-Star

FUND MANAGER'S REPORT

i) Description of the Collective Investment Scheme Category and types:

Open – end Islamic Equity Scheme.

ii) Statement of Collective Investment Scheme's investment objective:

AKD Islamic Stock Fund (AKDISSF) is designed to earn competitive returns by investing in the stock market. The objective of AKD Islamic Stock Fund is to invest in the capital markets through an optimal combination of strategies in Shariah compliant equities providing growth and dividends.

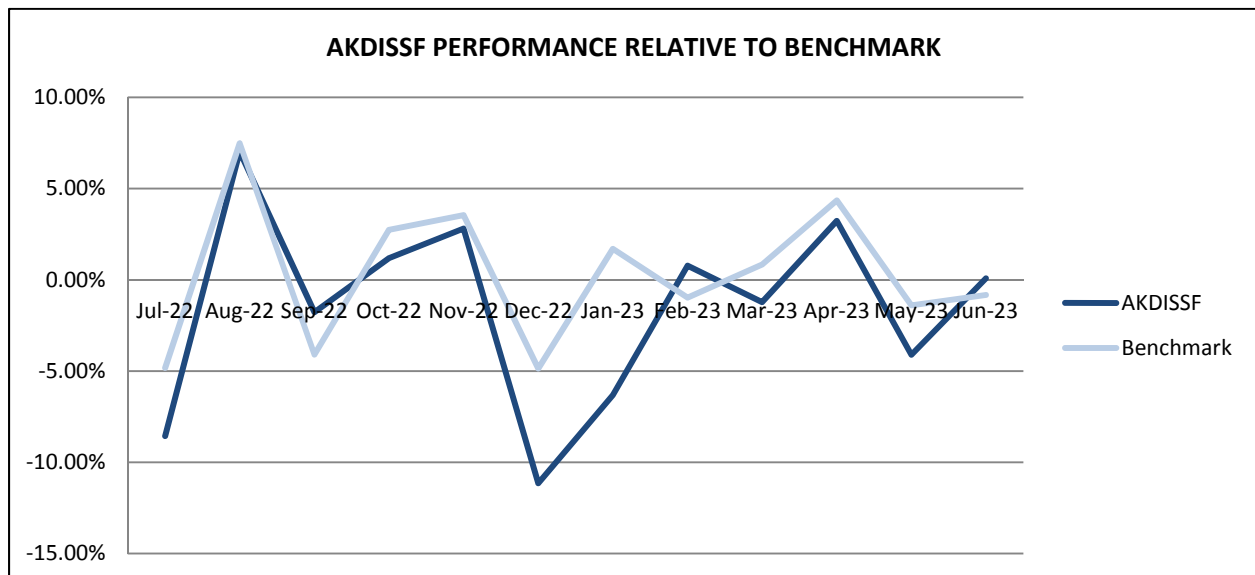
iii) Explanation as to whether Collective Investment Scheme achieved its stated objective:

For the FY23, the return of AKD Islamic Stock Fund stood at -17.92% compared to the benchmark KMI-30 Index return of 2.88%.

iv) Statement of benchmark (s) relevant to the Collective Investment Scheme:

KMI-30 Index.

v) Comparison of the Collective Investment Scheme's performance during the period compared with its said benchmark:



Monthly return	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
AKDISSF	-8.56%	7.03%	-1.77%	1.19%	2.81%	-11.15%	-6.32%	0.78%	-1.22%	3.23%	-4.11%	0.08%
Benchmark	-4.83%	7.49%	-4.10%	2.74%	3.55%	-4.86%	1.70%	-0.97%	0.84%	4.35%	-1.40%	-0.83%

vi) **Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance:**

AKD Islamic Stock Fund is an Open – end Islamic Equity Scheme; the returns of the Fund are generated through investment in Islamic stocks which have strong growth potential.

vii) **Disclosure of Collective Investment Scheme's asset allocation as the date of report and particulars of significant changes in asset allocation:**

Asset Allocation (% of Total Assets)	30-Jun-23	30-Jun-22
Equities	89.61%	98.02%
Cash	0.86%	0.39%
Other Assets including Receivables	9.53%	1.59%

viii) **Non-Compliant Investments:**

Name of Non Compliant Investment	Type of Investment	Value of Investment before Provision	Provision held if any	Value of Investment after Provision	Percentage of Net Assets	Percentage of Gross Assets
-----Rupees in '000-----						
Tata Textile Mills Ltd	Equity	19,572	Nil	19,572	18.66%	17.06%
Al Shaheer Corporation Ltd	Equity	16,937	Nil	16,937	16.15%	14.76%

ix) **Analysis of the Collective Investment Scheme's performance:**

FY23 Return	-17.92%
Benchmark Return	2.88%

x) **Changes in the total NAV and NAV per unit since the last reviewed period:**

Net Asset Value			NAV Per Unit	
30-Jun-23	30-Jun-22	Change in Net Assets	30-Jun-23	30-Jun-22
(Rupees In "000")			Rs.	Rs.
104,864	253,328	-58.61%	33.2222	40.4732

xi) **Disclosure on the markets that the Collective Investment Scheme has invested in including – review of the market (s) invested in and returns during the period:**

MACRO PERSPECTIVE

Over the past year, Pakistan's economy went through a major economic crisis perhaps the worst since independence that led to an unprecedented increase in interest rates and inflation, recording new records in all fronts. The crisis stemmed from the start of the Russia-Ukraine war in February 2022 after which the international commodities prices sharply moved up and coupled with unsustainable global debt levels a number of developing country economies were in complete tail spin. Pakistan was no exception being a net importing country dependent for key essentials like oil, widening deficits of both the current and fiscal account was imminent as the local currency went into free fall and foreign reserves eroded. Hence, to contain the widening Current Account Deficit, the Government had to impose major import restrictions. Through the timely administrative measures adopted by the Government, Pakistan managed to circumnavigate the most difficult economic situation in the Country's history, averting a sovereign default and securing a nine-month Standby Arrangement of US\$3bn with the IMF.

The SBP has proactively focused on restricting the demand growth by adopting monetary contraction through rate increases since June 2020 (*interest rates at 7%*) while the incumbent government resorted to Fiscal tools such as increasing existing taxes along with introducing new ones. In FY23 alone, the SBP increased the interest rates by 825bps to 22%. Additionally, key conditions of the IMF Program asking for removal of subsidies led to hikes in all utility prices across the board adding inflationary pressures further and higher unemployment. However, the fruits of these politically difficult policies have already started to reflect in demand contraction with most high frequency indicators (*Cement, Auto and POL product sales*). Another important measure that the government took to compress demand was to allow the "Free Float" of the currency, which notably led to a sharp depreciation of the Pak Rupees and naturally contained imports, supported exports and home remittances.

The Current Account Surplus for the month of June 2023 clocked in at USD 334 million, from a Current Account Surplus of USD 220 million (revised) in May 2023 taking the FY23 CAD to USD 2.56 billion (-0.7% of GDP) against USD 17.48 billion (-4.7% of GDP), down -85% YoY during the same period last year primarily due to decline in imports as the Government's initiatives to stabilize the economy were visibly bearing fruit.

The Government's resilient efforts to attract investments from Non-Resident Pakistanis continued to yield results, with an impressive inflow of USD 6.48 billion through Roshan Digital Accounts (RDA) with more than 590,000 accounts till July 2023.

Moreover, the FBR collected revenues worth PKR 7.17 trillion during FY23 against the target of 7.64 trillion missing the target by PKR 496 billion despite the imposition of nearly PKR 800 billion additional taxes due to a steep decline in imports and an overall slowdown of the economy.

During FY23, the external account remained a major cause of concern as Pakistan's liquid foreign exchange reserves decreased by USD 5.70 billion on the back of debt servicing primarily. As of June 30,

2023, the Country's liquid foreign exchange reserves stood at USD 9.75 billion (*SBP reserves USD 4.46 billion*).

The new IMF program will provide a policy framework to bring power sector reforms in the country along with the SOE governance. This program will support Pakistan in obtaining additional funds from its bilateral partners which is extremely essential in a period of low FX reserves and high debt servicing. The exchange rate is likely to appreciate in the short term due to speculative activity; however, will remain under depreciative pressure till sizeable foreign inflows do not materialize.

The NCPI during the month of August 2023 clocked in at 27.38% YoY as compared to 29.40% YoY in July 2023. This took the 2MFY24 average NCPI to 27.84% compared to 26.10% during the SPLY. The main contributors to the increase in inflation are Housing, Water, Electricity, Gas, and Fuel (weight in CPI 23.63%) with an impact of 0.21% MoM / 6.25% YoY because of the increasing fuel and utility prices and exchange devaluation. Furthermore, food inflation came lower than expected which caused the decline in inflation as noticed by the Food and Non-alcoholic Beverages Index (weight in CPI 34.58%) with an impact of 0.23% MoM / 38.51% YoY.

The Large Scale Manufacturing (LSMI) sector, which accounts for about 80% of the country's industrial output, shrank for the 12th consecutive month in June, by 14.96 percent YoY, leading to contract by 10.26% in FY23 as almost all major industries reported substantial declines. Without say, the fallout of the restrictive measures undertaken by the central bank and the government to contain the current account deficit notably weighed heavily on the industry.

EQUITY MARKET REVIEW

The Equity market, despite closing in flat at 41,452.68 level, decreasing 88 points (*-0.21% YoY*) remained extremely volatile during the year with excitement over letter of intent from IMF, financial support from KSA, UAE and other bilateral partners, strong corporate results, appointment of the new Chief of Army Staff and the long-awaited Federal Budget FY23. The market also witnessed anxious moments with flash floods that contributed to loss of USD 30 billion, monetary tightening, unprecedented inflation and prolonged political uncertainty investors had very little to celebrate this past year.

During FY23, investor participation declined as volumes contracted by 34% YoY to 190.82 million shares from 291.47 million shares recorded during last year. Surprisingly, after five consecutive years of outflows, foreigners were net buyers in FY23 with USD 1.53 million. Foreigner's interest was majorly caught in Technology and Communication (*USD 43.30 million*) and Oil and Gas Exploration Companies (*USD 27.42 million*).

The sectors that performed during FY23 are Chemical (*15.74%*), Cement (*8.00%*), Synthetic & Rayon (*40.34%*), Investment Banks/Companies (*8.16%*), and Sugar & Allied Industries (*13.00%*). While the sectors that kept the bulls in check are Commercial Banks (*-9.81%*), Pharmaceuticals (*-40.36%*), Automobile Assembler (*-25.67%*), Tobacco (*-26.18%*), and Oil & Gas Exploration Companies (*-6.54%*). On

the local front, major selling was witnessed in Mutual Funds (*USD 144.49 million*) and Insurance Companies (*USD 124.31 million*) as panic swayed away local investors to safer havens and fixed income given that interest rates are almost at record highs.

On a 10Y period, the KSE - 100 index yielded an annualized return of 7.03% (*-3.68% annualized in USD terms*). The persistent decline in the local currency against the US Dollar has kept foreign investors at bay despite extremely compelling valuations. While foreigners have been on the sell side for several years now; frontier market investors are likely to turn net buyers given the unprecedented currency adjustment and cheap valuations provided that Pakistan implement key economic and policy reforms.

We remain positive towards equities based on the premise that i) holding Cash for real value would not be possible given high inflation and currency devaluation, ii) real value over the long term can only be secured in inflation hedged assets such as Real Estate, Gold or Equity, iii) we believe that Gold has rallied significantly over the past several months and is in its consolidation phase while Real Estate being illiquid and capital intensive besides being on the government's radar for taxing, equities plausibly seems the prime candidate for a long term investment strategy. The index continues to trade at exceedingly attractive multiples with PE and PB of 4.54x and 0.6x with a healthy dividend yield of 10%.

FUTURE OUTLOOK

As we move into FY24, we believe that structural changes and reforms are necessary to turn around the current economic state addressing fiscal imbalances and external vulnerabilities with sustainable stability. While market consensus suggests foreseeably that the Central Bank has reached its monetary tightening cycle for now, both the fiscal and external accounts are likely to remain very challenging for the Government in the coming year. On the other hand, notably inflation is expected to come off sharply as the high base affect plays out, perhaps providing much needed respite in the form of a reduction in interest rates as debt servicing remains worrying.

The Government announced the Finance Bill for FY23-24 on June 9, 2023 with high expectations and in hopes to regain lost political capital amid one of the worst economic conditions on record. The Finance Minister set GDP growth expectations for FY24 at 3.5% compared to 0.29% in FY23 (*provisional*). Moreover, the Average NCPI target for FY24 is 21% and Budget Deficit and Primary Surplus targets have been set at 6.54% and 0.4% of GDP respectively. Lastly, the Ministry of Finance has targeted exports and remittances to clock at USD 30 billion and USD 33 billion, respectively.

The FBR revenue target is set at PKR 9.4 trillion in FY24. Additionally, the Federal Non-tax revenue target has been marked at PKR 2.96 trillion, 83% higher than FY23. The government is expecting total expenditures of PKR 14.48 trillion in FY24 which is 52% higher than FY23. The Federal Public Sector Development Plan seemingly optimistic is set at PKR 950 billion, 67% higher than in the same period last year. The government has set PKR 7.3 trillion for debt servicing in FY24. The expenditure on defense is at PKR 1.8 trillion in FY24, 15% higher than the last year's budget. While the external debt payment in FY24

has been budgeted at USD 22 billion, which is likely to keep the local currency in check and with it economic direction and performance.

Some of the main provisions of the Finance Bill are as follows:

- Increasing salary tax slabs on people earning PKR 200k per month and above
- Increase in maximum allowed Petroleum Development Levy (PDL) by PKR 10 to PKR 60.
- Imposition of 5% FED on Fertilizers
- Rate of tax IT and IT enabled services was changed from 16% to 5% (without input adjustment).
- The rate of advance tax on sale/purchase of immovable property has been increased from 2% to 3%
- Advance tax on motor vehicles having engine capacity more than 2000cc has been based on value ranging from 6% to 10%
- Re-imposition of 10% final withholding tax on issuance of bonus shares by a company (20% for non-ATL).
- The amnesty provided to people bringing FX to purchase property has incidentally also been withdrawn in line with IMF requirements.

We believe that the support from IMF will help subside the default risk that the country was adamantly facing and more importantly play a major confidence boost for the financial markets. The Equity market rallied around 2,446.32 points (5.90%) on July 3, 2023 – single day highest gain in years on the back of this single event, illustrating that the markets believe that the Country has effectively averted an imminent default. However, the ruling government and economic managers will need to be extremely vigilant and pragmatic for sustainable stability and growth as headwinds remain.

Going forward, the key factors that would drive the market direction include IMF's second quarterly review for the USD 3 billion loan facility under the SBA and clarity on the holding of general elections in Pakistan. One of the key challenges that the Government has been struggling with is to bring down the difference between the interbank and open market exchange rate which has now reached ~7% while the IMF believes the deviation needs to be maintained up to 1.25%. Moreover, the Government will also have to implement some strict measures to contain the soaring fiscal deficit and achieve the desired target of primary surplus agreed with the IMF which will bring a new wave of inflation pressures.

While Pakistan faces one of the worst economic crisis in recent history, we believe that equities as an asset class has over discounted itself. The premise of our positive outlook and re-rating of the capital market stems from the likelihood of Pakistan successfully completing the new SBA IMF program which will notably entail a continuity in reforms and fiscal discipline. The index is trading at a PE multiple of 4.54x far below the long-term averages. The dividend yield is attractive at 10% which is the highest in the region and with the last REER recorded at 87.7492 in June 2023 suggesting the currency has room to appreciate will probably justify and attract foreign investment which can also be noted by the recent month's inflows. We believe that the market currently serves as a striking point for investors.

xii) Description and explanation of any significant changes in the state of the affairs of the Collective Investment Scheme during the period and up till the date of Fund Manager's report, not otherwise disclosed in the financial statements:

There were no significant changes in the state of affairs during the period and up till the date of Fund Manager's report under review.

xiii) Disclosure of any split (if any), comprising:

There were no unit splits during the period.

xiv) Break down of unit holding size:

Range (Units)	No. of Investors
0.0001 - 9,999	317
10,000 - 49,999	33
50,000 - 99,999	6
100,000 - 499,999	5
500,000 and above	1
Total	362

xv) Disclosure of circumstances that materially affect any interests of unit holders:

Investments are subject to credit and market risk.

xvi) Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker (s) or dealers by virtue of transaction conducted by the Collective Investment Scheme:

No soft commission has been received by the AMC from its broker or dealer by virtue of transactions conducted by the Collective Investment Scheme.

AKD Islamic Stock Fund

Details of Pattern of Holding (Units)

As at June 30, 2023

	No. of Unitholders	Units Held	% of Total
Associated Companies	-	-	-
Directors and CEO	-	-	-
Individuals	354	1,398,592	44.32%
Insurance Companies	3	891,768	28.25%
Banks/DFIs	-	-	-
Retirement funds	3	637,078	20.18%
Public Limited Companies	-	-	-
Others	2	228,983	7.25%
	362	3,156,421	100.00%



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REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

AKD ISLAMIC STOCK FUND

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

AKD Islamic Stock Fund, an open-end Scheme established under a Trust Deed dated August 30, 2017 executed between AKD Investment Management Limited, as the Management Company and Digital Custodian Company Limited, as the Trustee. The Fund commenced its operations on February 21, 2018.

1. AKD Investment Management Limited, the Management Company of AKD Islamic Stock Fund has, in all material respects, managed AKD Islamic Stock Fund during the year ended June 30, 2023 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement.
2. Statement on the shortcoming(s) that may have impact on the decision of the existing or the potential unit holders remaining or investing in the Collective Investment Scheme;


Statement

No short coming has been addressed during the year ended June 30, 2023.

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D.K.L.

3. Disclosure of the steps taken to address the shortcoming(s) or to prevent the recurrence of the shortcoming(s).

Disclosure of the steps

We have critically examine the fund in accordance with circulars, directives, NBFC Regulations 2008 and its constitutive documents. However, no short coming has been addressed.

4. Trustee's opinion regarding the calculation of the management fee, CIS Monthly Fee Payable to the Commission and other expenses in accordance with the applicable regulatory framework.

Trustee Opinion

“The Management fee, CIS monthly fee payable to the Commission and other expenses has been accurately calculated in accordance with the NBFC Regulations, 2008 and its constitutive documents”.



Dabeer Khan
Manager Compliance
Digital Custodian Company Limited

Karachi: September 25, 2023

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Al-Hilal
— Shariah Advisors —

September 27, 2023



الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2023 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in AKD Islamic Stock Fund (AKD-ISF) managed by AKD Investment Management Limited are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

والله أعلم بالصواب، وصلى الله على نبينا محمد وعلى آله وصحبه وبارك وسلم

For and on behalf of Al-Hilal Shariah Advisors (Pvt.) Limited.

Mufti Irshad Ahmad Aijaz
Member Shariah Council



Faraz Younus Bandukda, CFA
Chief Executive

INDEPENDENT AUDITOR'S REPORT

To the Unit Holders of AKD Islamic Stock Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AKD Islamic Stock Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2023 and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023 and of its financial performance, and its cash flows for the year then ended in accordance with the approved accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Following is the key audit matter:

	Key audit matter	How the matter was addressed in our audit
1)	Existence and valuation of investments:	
	Investment portfolio of the Fund makes up 89.6% of total assets and of the Fund. Investment portfolio of the Fund comprises of listed equity classified at fair value through profit or loss. For further information, refer to the following:	Our audit procedures included the following, but were not limited to: i) walked through the valuation processes and understood the systems and controls implemented;

Riaz Ahmad & Company

Chartered Accountants

<p>- Investments note 6 to the financial statements.</p> <p>We have identified the existence, rights and valuation of the Fund's investments as a key audit matter as the investment is a significant driver of the net assets value of the Fund and of its total return.</p>	<p>ii) evaluated the Fund's investment valuation policies with reference to the requirements of the applicable accounting and reporting standards;</p> <p>iii) agreed holding of all investments from the Account Balance Report of Central Depository Company of Pakistan Limited;</p> <p>iv) agreed the valuation of all listed equity securities from prices quoted on the Pakistan Stock Exchange Limited;</p> <p>v) performed verification procedures on purchased and sales on a sample of trades made during the year regarding movement of the securities; and</p> <p>vi) any difference identified during the testing that were over acceptable threshold were investigated further.</p>
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Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Fund and our auditor's report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund for our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management Company is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Riaz Ahmad & Company

Chartered Accountants

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Riaz Ahmad & Company

Chartered Accountants

We communicate with those charged with governance of Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance of Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

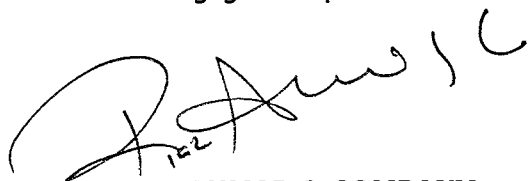
Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared, in all material respect, in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Other Matter

The financial statement of the Fund for the preceding year ended 30 June 2022 were audited by another firm of Chartered Accountants who has expressed an unmodified opinion thereon vide their report dated 29 September 2022.

The engagement partner on the audit resulting in this independent auditor's report is Junaid Ashraf.



RIAZ AHMAD & COMPANY
Chartered Accountants

KARACHI

DATE: 28 SEPTEMBER 2023

UDIN: AR2023100456kLs3PyA8

**AKD ISLAMIC STOCK FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2023**

	2023	2022
Note	----- (Rupees in '000) -----	----- (Rupees in '000) -----
ASSETS		
Bank balances	5 989	994
Investments	6 102,820	250,736
Profit receivable on bank deposits	9	65
Deposits and prepayments	7 2,747	2,817
Preliminary expenses and floatation cost	8 -	131
Receivable against sale of securities	8,035	1,058
Receivable against sale / conversion of units	141	-
Total assets	114,741	255,801
LIABILITIES		
Payable to AKD Investment Management Limited - Management Company	9 424	890
Payable to Digital Custodian Company Limited - Trustee	10 14	27
Payable to the Securities and Exchange Commission of Pakistan	11 38	65
Accrued expenses and other liabilities	12 923	1,438
Payable against purchase of securities	8,477	53
Payable against redemption / conversion of units	1	-
Total liabilities	9,877	2,473
NET ASSETS	104,864	253,328
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)	104,864	253,328
CONTINGENCIES AND COMMITMENTS		
NUMBER OF UNITS IN ISSUE	13 ----- (Number of units) -----	14 3,156,421 6,259,150
NET ASSET VALUE PER UNIT	----- (Rupees) -----	33.2222 40.4732

The annexed notes from 1 to 29 form an integral part of these financial statements.


**For AKD Investment Management Limited
(Management Company)**



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

**AKD ISLAMIC STOCK FUND
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023**

	2023	2022
Note	---- (Rupees in '000) ----	
INCOME		
Capital (loss) / gain on sale of investments classified as 'at fair value through profit or loss'	(16,688)	8,024
Net unrealised diminution on re-measurement of investments classified 'at fair value through profit or loss'	6.2 (30,820)	(86,677)
Dividend income	16,631	17,618
Profit on bank deposits	431	573
Other income	-	2,263
Total loss	(30,446)	(58,199)
EXPENSES		
Remuneration of AKD Investment Management Limited - Management Company	9.1 3,817	6,518
Sindh sales tax on remuneration of the Management Company	9.2 496	847
Expenses allocated by the Management Company	9.3 1,084	1,467
Remuneration of Digital Custodian Company Limited - Trustee	10.1 229	391
Sindh sales tax on remuneration of Trustee	10.2 30	51
Annual fee to Securities and Exchange Commission of Pakistan	11.1 38	65
Securities transaction costs	623	806
Auditor's remuneration	15 228	250
Settlement and bank charges	35	48
Amortisation of preliminary expenses and floatation costs	131	205
Fee and subscription	658	708
Legal and professional charges	740	554
Charity	12.1 267	792
Total expenses	8,376	12,702
Net loss for the year before taxation	(38,822)	(70,901)
Taxation	16 -	-
Net loss for the year after taxation	(38,822)	(70,901)
Allocation of net income for the year		
Net income for the year after taxation	-	-
Income already paid on units redeemed	-	-
Accounting income available for distribution:		
Relating to capital gains	-	-
Excluding capital gains	-	-

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For AKD Investment Management Limited
(Management Company)**



CHIEF EXECUTIVE OFFICER



DIRECTOR




CHIEF FINANCIAL OFFICER

**AKD ISLAMIC STOCK FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	<u>2023</u>	<u>2022</u>
	----- (Rupees in '000) -----	
Net loss for the year after taxation	(38,822)	(70,901)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	<u>(38,822)</u>	<u>(70,901)</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.


**For AKD Investment Management Limited
(Management Company)**



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

**AKD ISLAMIC STOCK FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED 30 JUNE 2023**

	2023			2022		
	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total
----- (Rupees in '000) -----						
Net assets at beginning of the year	360,948	(107,620)	253,328	462,079	(36,719)	425,360
Issuance of 5,228,965 (2022: 9,949,712) units						
- Capital value (at Ex-net asset value per unit at the beginning of year)	211,633	-	211,633	495,464	-	495,464
- Element of loss	(9,953)	-	(9,953)	(41,067)	-	(41,067)
Total proceeds on issuance of units	201,680	-	201,680	454,397	-	454,397
Redemption of 8,331,694 (2022: 12,232,464) units						
- Capital value (at Ex-net asset value per unit at the beginning of year)	(337,210)	-	(337,210)	(609,138)	-	(609,138)
- Element of income	25,888	-	25,888	53,610	-	53,610
Total payments on redemption of units	(311,322)	-	(311,322)	(555,528)	-	(555,528)
Total comprehensive loss for the year	-	(38,822)	(38,822)	-	(70,901)	(70,901)
Distribution during the year	-	-	-	-	-	-
Net loss for the year less distribution	-	(38,822)	(38,822)	-	(70,901)	(70,901)
Net assets at end of the year	251,306	(146,442)	104,864	360,948	(107,620)	253,328
Accumulated losses brought forward						
- Realised loss		(20,943)			(86,400)	
- Unrealised (loss) / income		(86,677)			49,681	
		<u>(107,620)</u>			<u>(36,719)</u>	
Accounting income available for distribution						
- Relating to capital gains	-			-		
- Excluding capital gains	-			-		
Net loss for the year after taxation		(38,822)			(70,901)	
Distribution during the year		-			-	
Accumulated losses carried forward		<u>(146,442)</u>			<u>(107,620)</u>	
Accumulated losses carried forward						
- Realised loss		(115,622)			(20,943)	
- Unrealised loss		(30,820)			(86,677)	
		<u>(146,442)</u>			<u>(107,620)</u>	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			<u>40.4732</u>			<u>49.7969</u>
Net assets value per unit at end of the year			<u>33.2222</u>			<u>40.4732</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

For AKD Investment Management Limited
(Management Company)


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

**AKD ISLAMIC STOCK FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023**

	2023	2022
Note	----- (Rupees in '000) -----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year before taxation	(38,822)	(70,901)
Adjustments for non cash and other items:		
Dividend income	(16,631)	(17,618)
Amortisation of preliminary expenses and floatation costs	8 131	205
Net unrealised diminution on remeasurement of investments 'at fair value through profit and loss'	6.2 30,820	86,677
Profit on bank deposit	(431)	(573)
Other income	-	(2,263)
	<u>(24,933)</u>	<u>(4,473)</u>
Decrease / (increase) in assets		
Profit receivable on bank deposits	56	-
Receivable against sale securities	(6,977)	(1,058)
Deposits and prepayments	70	-
Net increase in assets	(6,851)	(1,058)
(Decrease) / increase in liabilities		
Payable to AKD Investment Management Limited - Management Company	(466)	(652)
Payable to Digital Custodian Company Limited - Trustee	(13)	(18)
Payable to the Securities and Exchange Commission of	(27)	7
Payable against purchase of securities	8,530	(10,807)
Accrued expenses and other liabilities	(514)	(1,190)
Net increase / (decrease) in liabilities	7,510	(12,660)
Dividend received	16,631	18,218
Investments - net	117,096	88,331
Profit on bank deposit received	324	675
	<u>134,051</u>	<u>107,224</u>
Net cash flow from operating activities	109,777	89,033
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of units	201,539	454,397
Payment against redemption of units	(311,321)	(555,528)
Net cash used in financing activities	(109,782)	(101,131)
Net decrease in cash and cash equivalents	(5)	(12,098)
Cash and cash equivalents at beginning of the year	994	13,092
Cash and cash equivalents at end of the year	5 989	994

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For AKD Investment Management Limited
(Management Company)**


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

**AKD ISLAMIC STOCK FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** AKD Islamic Stock Fund (the Fund) was established under a Trust Deed, executed between AKD Investment Management Limited (AKDIML) as the Management Company and Digital Custodian Company Limited (DCCL) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on 30 May 2017. The Initial Public Offering (IPO) of the Fund was made during the year from 19 February 2018 to 20 February 2018 and the Fund commenced operations from 21 February 2018. In accordance with the Trust Deed, the first accounting year of the Fund commenced on the date on which the Fund property was first transferred to the Trustee i.e. 19 February 2018.
- 1.2** The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at 216-217, Continental Trade Centre, Block-8, Clifton, Karachi, in the province of Sindh.
- 1.3** The objective of the Fund is to earn a potentially high return through asset allocation between shariah compliant equity instruments and any other instruments as permitted by the SECP and shariah advisor.
- 1.4** The Fund is an open-ended collective investment scheme and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.
- 1.5** The Fund is categorised as an open end Shariah Compliant (Islamic) Equity Scheme in accordance with Circular 7 of 2009, issued by the Securities and Exchange Commission of Pakistan (SECP). Al-Hilal Shariah Advisors (Private) Limited acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.
- 1.6** Title to the assets of the Fund are held in the name of Digital Custodian Company Limited as trustee of the Fund.
- 1.7** The Pakistan Credit Rating Company Limited (PACRA) has assigned asset manager rating of 'AM3++' to the Management Company dated 27 June 2023. PACRA has also assigned long term / short term performance ranking of the Fund "4-star / 2-star" as on 13 February 2023.
- 1.8** The Fund is registered on 23 August 2021 with Assistant Director of Industries and Commerce (Trust Wing) Government of Sindh under Section 12 of the Sindh Trusts Act, 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

- 2.1.1** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, along with part VIII A of the repealed Companies Ordinance 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirement of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulation and requirements of the Trust Deed have been followed.

2.1.2 The SECP through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Currently, the Asset Management Companies are required to continue to follow the requirements of Circular 33 of 2012 for impairment of debt securities.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except the certain investments which are measured at fair value.

2.3 Functional and presentation currency

These financial statements have been presented in Pak Rupees, which is the Fund's functional and presentation currency. The amounts are rounded off to the nearest thousand rupees except stated otherwise.

2.4 Critical accounting estimates and judgments

The preparation of these financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) Classification and valuation of financial assets (Note 4.1.1);
- (ii) Impairment of financial assets (Note 4.1.5); and
- (iii) Provisions (Note 4.4).

3. AMENDMENTS TO ACCOUNTING STANDARDS

3.1 Amendments to accounting standards that are effective for the year ended 30 June 2023

Following amendments to published approved accounting standards are mandatory for the Fund's accounting year beginning on or after 01 July 2022:

- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before Intended Use'.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts – Cost of Fulfilling a Contract amends IAS 1 'Presentation of Financial Statements'.
- Annual improvements to IFRS standards 2018-2020 which amended IFRS 9 'Financial Instruments' and IFRS 16 'Leases'.
- Reference to the Conceptual Framework (Amendments to IFRS 3)' published by the International Accounting Standards Board (IASB) with amendments to IFRS 3 'Business Combinations'.

The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognised in prior year and are not expected to significantly affect the current or future year.

3.2 Amendments to published approved accounting standards that are effective in current year but not relevant to the Fund

There are amendments to published standards that are mandatory for accounting years beginning on or after 01 July 2022 but are considered not to be relevant or do not have any significant impact on the Fund's financial statements and are therefore not detailed in these financial statements.

3.3 Amendments to published approved accounting standards that are not yet effective but relevant to the Fund

Following amendments to existing standards have been published and are mandatory for the Fund's accounting years beginning on or after 01 July 2023 or later years:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual year beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting year to defer the settlement of liability for at least twelve months after the reporting year. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual years beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual years beginning on or after 01 January 2023. These amendments clarify how Fund's account for deferred tax on transactions such as leases and decommissioning obligations.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual years beginning on or after 1 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

On 31 October 2022, the IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting year affect the classification of a liability. The amendments are effective for reporting years beginning on or after 1 January 2024.

On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual years beginning on or after 1 January 2024.

On 25 May 2023, the IASB issued 'Suppliers Finance Arrangements (Amendments to IAS 7 and IFRS 7)' to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangement. The amendments are effective for reporting year beginning on or after 1 January 2024.

The above amendments and improvements are likely to have no significant impact on the financial statements.

3.4 Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Fund

There are other standards and amendments to published standards that are mandatory for accounting years beginning on or after 01 July 2023 but are considered not to be relevant or do not have any significant impact on the Fund's financial statements and are therefore not detailed in these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all year presented in these financial statements.

4.1 Financial instruments

4.1.1 Classification of financial assets

IFRS 9 contains three principal classification categories for financial assets:

- Amortised cost ("AC"),
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL").

However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognized at FVTPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore the management considers its investment in long term debt securities as classified them as FVTPL.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Financial assets at FVOCI

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income (OCI), only dividend income is recognised in income statement. This election is made on an investment-by-investment basis.

FVOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

Financial assets at FVTPL

Equity investments which the Fund had not irrevocably elected to classify at fair value through OCI are classified as at fair value through profit or loss.

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

4.1.2 Recognition and initial measurement of financial instruments

Financial assets and financial liabilities are recognised in the Fund's statement of assets and liabilities when the Fund becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

4.1.3 Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Financial assets at FVOCI

All financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income.

For debt instruments classified as financial assets at FVOCI, the amounts already recognised in other comprehensive income are reclassified to income statement on derecognition of financial assets. This treatment is in contrast to equity instruments classified as financial assets at FVOCI, where there is no reclassification on derecognition.

Financial assets at FVTPL

All financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the income statement.

4.1.4 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation

The fair value of shares of listed companies is based on their prices quoted on the Pakistan Stock Exchange Limited at the reporting date without any deduction for estimated future selling costs.

4.1.5 Impairment

Under expected credit loss (ECL) model of IFRS 9, the Fund recognises loss allowances on financial assets other than debt securities. The Fund measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured at 12-month ECL:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

As disclosed in note 2.1.2 of these financial statements, the Fund follows requirements of circular 33 of 2012 (the circular) for impairment of debt securities. Under the circular, provision for non performing debt securities is made on the basis of time based criteria as prescribed under the circular. Impairment loss recognised on debt securities can be reversed through the income statement.

As allowed under circular no. 33 of 2012 dated 24 October 2012 issued by the SECP, the Management Fund may also make provision against debt securities over and above minimum provision requirement prescribed in aforesaid circular, in accordance with the provisioning policy approved by the Board of Directors and disseminated by the Management Fund on its website.

4.1.6 Classification and measurement of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter year, to the amortised cost of a financial liability.

4.1.7 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the entity has transferred substantially all risks and rewards of ownership.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

4.1.8 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

4.1.9 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

4.3 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a year of five years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

4.4 Provisions

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

4.5 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

The Fund is also exempt from the provisions of Section 113 (Minimum Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001'.

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

4.6 Dividend distribution and appropriations to unit holder's

Dividend distributions and appropriations are recorded in the year in which these are approved by the Board of Directors of the Management Fund. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines (duly consented by the SECP) distribution for the year is deemed to comprise of the portion of income already paid on units redeemed during the year and cash distribution for the year.

Regulation 63 of the NBFC Regulations requires the Fund to distribute atleast 90% of the net accounting income other than capital gains to the unit holders.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Fund.

4.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Fund for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load and any provision for duties and charges, if applicable. The sales load is payable to investment facilitators, distributors and the Management Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, and charges on redemption, if applicable.

4.8 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting year. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

4.9 Net assets value per unit

The net assets value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net asset of the Fund by the number of units in issue at the year end.

4.10 Revenue recognition

- Capital gain or loss on sale of investment is accounted for in the income statement on the date at which the sale transaction takes place.
- Unrealised gain / loss arising on remeasurement of investments classified as 'fair value through profit or loss' is included in the income statement in the year in which it arises.
- Dividend income from equity securities is recognised when the right to receive dividend is established.
- Profit on saving accounts with bank is recognised on an accrual basis.

4.11 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP, and selling and marketing expense) are recognised in the income statement on an accrual basis.

	Note	2023 ----- (Rupees in '000) -----	2022
5. BANK BALANCES			
Savings accounts	5.1	<u>989</u>	<u>994</u>
5.1 Mark-up rates on these accounts range between 19.75% (2022: 14.25%) per annum.			
6. INVESTMENTS			
Fair value through profit or loss			
Listed equity securities	6.1	<u>102,820</u>	<u>250,736</u>

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6.1 Listed equity securities

Name of the investee company	Face value per share (Rupees)	As at 01 July 2022	Purchased during the year	Bonus / right share	Sold/ Disposed	As at 30 June 2023	Balance as at 30 June 2023			Percentage in relation to		
							Carrying cost	Market value	Appreciation / (diminution)	Market value as percentage of total investments	Market value as percentage of net assets	Paid up value of shares as a percentage of total paid up capital of the investee company
							----- (Rupees in '000) -----			----- (%) -----		
Fully paid ordinary shares (unless otherwise stated)												
Automobile Assembler												
Ghandhara Automobiles Limited	10	999	-	-	-	999	59	36	(23)	0.04	0.03	0.00
Pak Suzuki Motor Company Limited	10	20,000	-	-	20,000	-	-	-	-	-	-	-
Millat Tractors Limited	10	18	-	16	-	34	16	13	(3)	0.01	0.01	0.00
							<u>75</u>	<u>49</u>	<u>(26)</u>			
Automobile Parts & Accessories												
Thal Limited	5	85,000	-	-	31,000	54,000	<u>14,559</u>	<u>8,748</u>	<u>(5,811)</u>	8.51	8.34	0.07
Cable & Electrical Goods												
Pakistan Cables Limited	10	30,000	-	11,505	2,400	39,105	<u>3,920</u>	<u>3,243</u>	<u>(678)</u>	3.15	3.09	0.10
Chemical												
Lotte Chemical Pakistan Limited	10	275,000	150,000	-	425,000	-	-	-	-	-	-	-
Commercial Banks												
Bankislami Pakistan Limited	10	3,121,800	374,500	-	3,496,300	-	-	-	-	-	-	-
Engineering												
Crescent Steel & Allied Products Limited	10	10,000	-	-	10,000	-	-	-	-	-	-	-
International Steels Limited	10	145,000	25,000	-	170,000	-	-	-	-	-	-	-
Fertilizers												
Fauji Fertilizer Bin Qasim Limited	10	100,000	-	-	-	100,000	<u>2,024</u>	<u>1,178</u>	<u>(846)</u>	1.15	1.12	0.01
Food & Personal Care Products												
Al Shaheer Corporation Limited (6.1.2)	10	2,800,499	-	407,141	865,015	2,342,625	21,558	16,937	(4,621)	16.47	16.15	0.62
Al Shaheer Corporation Limited (Right share)	10	-	-	92,983	92,983	-	-	-	-	-	-	-
Frieslandcampina Engro Pakistan Limited	10	-	24,001	-	-	24,001	1,416	1,417	1	1.38	1.35	0.00
							<u>22,974</u>	<u>18,354</u>	<u>(4,620)</u>			
Oil & Gas Exploration Companies												
Oil & Gas Development Company Limited	10	-	50,000	-	-	50,000	3,905	3,900	(5)	3.79	3.72	0.00
Pakistan Petroleum Limited	10	20,000	50,000	-	20,000	50,000	2,963	2,957	(6)	2.88	2.82	0.00
							<u>6,867</u>	<u>6,857</u>	<u>(10)</u>			
Oil & Gas Marketing Companies												
Pakistan State Oil Company Limited	10	45,000	30,000	-	25,000	50,000	<u>8,358</u>	<u>5,551</u>	<u>(2,807)</u>	5.40	5.29	0.01
Paper and Board												
Pakistan Paper Products Limited	10	666	-	-	-	666	<u>46</u>	<u>25</u>	<u>(21)</u>	0.02	0.02	0.01

Name of the investee company	Face value per share (Rupees)	(Number of shares)					Balance as at 30 June 2023			Percentage in relation to		
		As at 01 July 2022	Purchased during the year	Bonus / right share	Sold/ Disposed	As at 30 June 2023	Carrying cost	Market value	Appreciation / (diminution)	Market value as percentage of total investments	Market value as percentage of net assets	Paid up value of shares as a percentage of total paid up capital of the investee company
Pharmaceuticals												
Abbott Laboratories (Pakistan) Limited	10	39,000	-	-	-	39,000	-	-	-	-	-	-
Power Generation & Distribution												
The Hub Power Company Limited HUBC(6.1.1)	4	550,000	50,000	-	390,000	210,000	14,246	14,612	366	14.21	13.93	0.02
K-Electric Limited	10	500,000	3,490,000	-	490,000	3,500,000	12,630	6,020	(6,610)	5.85	5.74	0.01
							26,876	20,632	(6,244)			
Refinery												
Attock Refinery Limited	10	109,000	-	-	109,000	-	-	-	-	-	-	-
Cnergyico PK Limited	10	5,000,000	-	-	1,300,000	3,700,000	19,758	10,508	(9,250)	10.22	10.02	0.07
Lalpur Power Limited	10	-	1,215,000	-	843,000	372,000	5,712	5,561	(151)	5.41	5.30	0.10
National Refinery Limited	10	25,000	10,000	-	35,000	-	-	-	-	-	-	-
							25,470	16,069	(9,401)			
Synthetics & Rayon												
Pakistan Synthetics Limited	10	1,000	44,500	16,750	5,000	57,250	1,816	1,634	(182)	1.59	1.56	0.04
Technology and Communication												
Pakistan Telecommunication Company Ltd	10	750,000	150,000	-	900,000	-	-	-	-	-	-	-
Textile Composite												
Nishat Chunian Limited	10	25,000	-	-	25,000	-	-	-	-	-	-	-
Ellicot Spinning Mills Limited	10	-	1,000	-	1,000	-	-	-	-	-	-	-
Nishat Mills Limited	10	75,000	-	-	75,000	-	-	-	-	-	-	-
Textile Spinning												
Tata Textile Mills Limited (6.1.2)	10	-	320,000	-	25,500	294,500	19,551	19,572	22	19.04	18.66	0.53
Vanaspati & Allied Industries												
Punjab Oil Mills Limited	10	6,200	-	2,728	-	8,928	1,104	908	(196)	0.88	0.87	0.14
Total as at 30 June 2023							133,640	102,820	(30,820)			
Total as at 30 June 2022							337,413	250,736	(86,677)			

6.1.1 This includes 210,000 (2022: 300,000) shares of HUBC having market value of Rs. 14,612 million (2022: Rs. 20,451 million), which have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margin.

6.1.2 The exposure limit of investment in Al Shaheer Corporation Limited & Tata Textile Mills Limited as a percentage of net assets exceeded by 1.15% & 3.66% respectively against prescribed limit of 15% of total net assets as required under NBFC regulation 2008.

	Note	2023 ----- (Rupees in '000) -----	2022
6.2 NET UNREALISED DIMINUTION ON RE-MEASUREMENT OF INVESTMENTS CLASSIFIED AT 'FAIR VALUE THROUGH PROFIT AND LOSS'			
Market value of investments	6.1	102,820	250,736
Carrying amount of investments	6.1	(133,640)	(337,413)
		<u>(30,820)</u>	<u>(86,677)</u>

7. DEPOSITS AND PREPAYMENTS

Security deposit with			
- National Clearing Company of Pakistan Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		100	100
Prepaid shariah advisor fee		147	217
		<u>2,747</u>	<u>2,817</u>

8. PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs		1,024	1,024
Accumulated amortisation			
Opening balance		(893)	(688)
Amortised during the year		(131)	(205)
Closing balance	8.1	<u>(1,024)</u>	<u>(893)</u>
		<u>-</u>	<u>131</u>

8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a year of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

9. PAYABLE TO AKD INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY

Management fee	9.1	203	406
Sindh sales tax on management fee	9.2	26	53
Expenses allocated by the Management Company	9.3	61	91
Formation cost		131	337
Sales load payable		3	3
		<u>424</u>	<u>890</u>

9.1 As per Regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the total expense ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% (2022: 2%) per annum of the average annual net assets of the Fund during the year ended 30 June 2023. The remuneration is payable to the Management Company monthly in arrears.

9.2 Sindh sales tax at the rate of 13% (2022: 13%) on gross value of management fee is charged under the provisions of Sindh Sales Tax on Services Act, 2011.

9.3 In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses for registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

*The Management Company has charged expenses at the rate of 0.5% in 1st quarter & 0.6% in 2nd, 3rd, and 4th quarter (2022: 0.45%) per annum of the average annual net assets of the Fund.

	Note	2023 ----- (Rupees in '000) -----	2022
10. PAYABLE TO DIGITAL CUSTODIAN COMPANY LIMITED - TRUSTEE			
Trustee fee	10.1	12	24
Sindh sales tax on Trustee fee	10.2	2	3
		<u>14</u>	<u>27</u>

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on per annum net assets of the Fund.

The tariff structure applicable to the Fund is as follows:

Net assets	Tariff per annum
Upto Rs 1 billion	0.12% of Net Assets.
Exceeding Rs 1 billion and up to Rs.5 billion	Rs. 1.2 million plus 0.065% per annum of the amount exceeding Rs. 1 billion.
Net assets exceeding Rs. 5 billion	Rs. 3.8 million plus 0.06% per annum of net assets of the Fund exceeding Rs. 5 billion.

10.2 Sindh sales tax at the rate of 13% (2022: 13%) on gross value of trustee fee is charged under the provisions of Sindh Sales Tax on Services Act, 2011.

11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Annual fee payable to SECP	11.1	<u>38</u>	<u>65</u>
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11.1 All Collective Investment Schemes are required to pay annual fee at an amount equal to 0.02% (2022: 0.02%) of the average annual net assets of the scheme. The fee is payable annually in arrears.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

Securities transaction costs payable		168	101
Auditor's remuneration		163	185
Printing charges payable		150	150
Charity payable	12.1	267	792
Credit rating fee payable		132	132
Withholding tax payable		2	10
Others		41	68
		<u>923</u>	<u>1,438</u>

12.1 According to the instructions of the Shariah Advisor, income earned by the Fund from prohibited sources should be donated to charitable purposes.

During the year ended 30 June 2023, Non-Shariah Compliant income amounting to Rs 0.267 million (2022: 0.792 million) was charged as an expense in the books of the Fund, and Rs 0.792 million was disbursed to charitable welfare organisation Kutiyana Memon Hospital.

13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 30 June 2023 (2022: Nil).

	2023 ---- Number of units ----	2022
14. NUMBER OF UNITS IN ISSUE		
Opening units in issue	6,259,150	8,541,902
Add: Units issued during the year	5,228,965	9,949,712
Less: Units redeemed	(8,331,694)	(12,232,464)
Total units in issue at the end of the year	<u>3,156,421</u>	<u>6,259,150</u>

15. AUDITOR'S REMUNERATION

	2023	2022
	----- (Rupees in '000) -----	
Annual audit fee	110	110
Half yearly fee	55	55
Other certification	-	20
Income certification	30	30
Out of pocket	17	16
	<u>212</u>	<u>231</u>
Sindh sales tax on services	17	19
	<u>228</u>	<u>250</u>

16. TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders in cash. However, there is no income of the fund if reduced by capital gain, therefore there is no distribution for the year ended. Accordingly, no provision for current tax has been made in these financial statements. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

17. EARNINGS PER UNIT

Earnings / (loss) per unit is calculated by dividing the net profit / (loss) of the year after taxation of the Fund by the weighted average number of units outstanding during the year.

Earnings per unit (EPU) has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

18. TOTAL EXPENSE RATIO

The total expense ratio of the Fund is 4.39% (2022: 3.9%) and this includes 0.35% (2022: 0.37%) representing Government levy and SECP fee. This ratio is within the maximum limit of 4.5% (2022: 4.5%) prescribed under the NBFC Regulations for a collective investment scheme categorised as a " Shariah Compliant Equity Scheme".

19. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, the Trustee, AKD Securities Limited, directors, officers, key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms at contracted rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations, 2008 and Constitutive documents of the Fund.

Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Transactions during the year	2023 --- (Rupees in '000) ---	2022 ---
AKD Investment Management Limited - Management Company		
Remuneration to Management Company	3,817	6,518
Expenses allocated by the Management Company	1,084	1,467
Sindh sales tax on management remuneration	496	847
Sales load	16	184
Issue of units: 32,168 (2022: 77,080)	1,319	3,800
Redemption of units: 109,249 (2022: Nil)	4,565	-
Payment against formation cost	205	205
Digital Custodian Company Limited - Trustee		
Trustee remuneration	229	391
Sindh sales tax on trustee remuneration	30	51
AKD Opportunity Fund (AKDOF) - Common Management		
Shares sold by AKDOF	30,805	82,331
Shares purchased by AKDOF	27,003	-
Golden Arrow Stock Fund (GASF) - Common Management		
Shares purchased by GASF	16,680	28,231
AKD Securities Limited		
Brokerage expense	31	18
Imran Motiwala - Chief Executive Officer of the Management Company		
Issue of Nil (2022: 187,224) units	-	8,720
Redemption of 2,237 (2022: 144,000) units	92	8,235
Sehr Imran Motiwala - Spouse - CEO of the Management Company		
Issue of Nil (2022: 165,689) units	-	9,237
Redemption of 22,415 (2022: 339,444) units	906	16,366
Anum Dhedhi - Chief Investment Officer & Director of the Management Company		
Issue of 104,968 units (2022: Nil)	4,183	-
Redemption of 104,968 units (2022: 100,314)	3,468	4,068

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	2023	2022
	---- (Rupees in '000) ----	
Transactions during the year		
Carrow Micheal - Key Management Personnel of the Management Company		
Redemption of 196 (2022: Nil) units	7	-
Muhammad Yaqoob - Chief Operating Officer and Company Secretary of the Management Company		
Redemption of Nil (2022: 10,646) units	-	528
Hina Aqeel - Close family member of the chairman of the group		
Issue of 70,386 units (2022: Nil)	2,518	-
Redemption of Nil (2022: 53,233) units	-	2,098
Yasmeen Dhedhi - Close family member of the chairman of the group		
Redemption of Nil (2022:20,000) units	-	811
Muhammad Farid Alam - Key Management Personnel of Associated Company		
Issue of Nil units (2022: 30,000)	-	1,223
Redemption of Nil units (2022: 30,000)	-	1,223
M3 Technologies Pakistan Private Limited Employees Provident Fund - Common Directorship		
Issue of Nil (2022: 122,103) units	-	6,000
Redemption of 122,103 (2022: Nil) units	4,320	-
Balances outstanding as at 30 June 2023		
AKD Investment Management Limited - Management Company		
Remuneration payable	203	406
Sindh sales tax on management remuneration	26	53
Expenses allocated by the management company	61	91
Payable against formation cost	131	337
Sales load payable	3	3
Outstanding: Nil (2022: 77,080) units	-	3,120
Balances outstanding as at 30 June 2023		
Digital Custodian Company Limited - Trustee		
Remuneration payable	12	24
Sales tax on trustee remuneration payable	2	3
AKD Securities Limited - Brokerage		
Brokerage payable	35	-
Payable against conversion of units		
Receivable against conversion of units - AKD Aggressive Income Fund	141	-
Imran Motiwala - CEO of the Management Company		
Outstanding: Nil (2022: 2,237) units	-	91
		20

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	2023	2022
	----- (Rupees in '000) -----	
Balances outstanding as at 30 June 2023		
Aqeel Karim Dhedhi Securities (Private) Limited - Staff Provident Fund		
Outstanding: 200,000 (2022: 200,000) units	6,644	8,095
Muhammad Farid Alam - Key Management Personnel of Associated Company		
Outstanding: 30,000 (2022: 30,000) units	997	1,214
Hina Aqeel - Close family member of the chairman of the group		
Outstanding: 70,386 (2022: Nil) units	2,338	-
Yasmeen Dhedhi - Close family member of the chairman of the group		
Outstanding: Nil (2022: 20,000) units	-	811
Sehar Imran Motiwala - Spouse - CEO of the Management Company		
Outstanding: Nil (2022: 22,415) units	-	907
Carrow Micheal - Key Management Personnel of the Management Company		
Outstanding: Nil (2022: 196) units	-	8
Toqir Hussain - Key Management Personnel of the Management Company		
Outstanding: 600 (2022: 600) units	20	24
M3 Technologies Pakistan Private Limited Employees Provident Fund - Common Directorship		
Outstanding: Nil units (2022: 122,103)	-	4,942
Connected person due to more than 10% holding		
TPL Insurance Limited		
Outstanding: 839,883 (2022: 839,883) units	27,903	33,993
Nargis Shahid Soorty		
Outstanding: N/A (2022: 871,254) units	-	35,262

20. FINANCIAL INSTRUMENTS BY CATEGORY

All the financial assets and liabilities carried on the statement of assets and liabilities are categorised as follows:

	2023	2022
	----- (Rupees in '000) -----	
Financial assets		
At fair value through profit or loss		
Investments	102,820	250,736
At amortised cost		
Bank balances	989	994
Profit receivable on bank deposits	9	65
Deposits	2,600	2,600
Receivable against sale of securities	8,035	1,058
Receivable against sale / conversion of units	141	-
	<u>114,594</u>	<u>255,453</u>
Financial liabilities		
At amortised cost		
Payable to AKD Investment Management Limited - Management Company	424	890
Payable to Digital Custodian Company Limited - Trustee	14	27
Payable to the Securities and Exchange Commission of Pakistan	38	65
Accrued expenses and other liabilities	654	636
Payable against purchase of securities	8,477	53
Payable against redemption / conversion of units	1	-
	<u>9,608</u>	<u>1,671</u>

21. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, profit rate and other price risk), credit risk and liquidity risk. Risks of the Fund are being managed by the Management Company in accordance with the approved policies of the Investment Committee which provides broad guidelines for management of above mentioned risks. The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund's financial assets primarily comprise of balances with banks and investment in equity securities classified at 'fair value through profit or loss'. The Fund also has dividend, profit receivable on bank deposits, receivable against sale of securities and deposits. The Fund's principal financial liabilities include remuneration payable to the Management Company, payable to the Trustee, payable against purchase of securities and other liabilities.

21.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk; currency risk, profit rate risk and other price risk.

21.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

21.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of 30 June 2023, the Fund is exposed to fair value profit rate risk on its bank balances.

a) Sensitivity analysis for variable rate instruments

At the reporting date, the Fund has balances in savings accounts on which profit rate ranges between 19.75% (2022: 14.25%) that could expose the Fund to cash flow profit rate risk. The net loss for the year would have increased by Rs. 0.010 million (2022: Rs. 0.010 million) had the profit rates on saving accounts with the banks increased / (decreased) by 100 basis points.

b) Sensitivity analysis for fixed rate instruments

At the reporting date, the Fund does not hold any fixed rate instruments that could expose the Fund to fair value profit rate risk.

Exposure to profit rate risk and maturity

Profit rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

		As at 30 June 2023				
Particulars	Effective profit rate	Exposed to profit rate risk			Not exposed to profit rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	%	----- (Rupees in '000) -----				

On-balance sheet financial instruments

Financial assets at fair value through profit or loss

Investments	-	-	-	102,820	102,820
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Financial assets at amortised cost

Bank balances	19.75	989	-	-	-	989
Profit receivable on bank deposits		-	-	-	9	9
Deposits		-	-	-	2,600	2,600
Receivable against sale of securities		-	-	-	8,035	8,035
Receivable against sale / conversion of units		-	-	-	141	141
		989	-	-	10,785	11,774
Sub total		989	-	-	113,605	114,594

As at 30 June 2023						
Particulars	Effective profit rate	Exposed to profit rate risk			Not exposed to profit rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		

% ----- (Rupees in '000) -----

Financial liabilities at amortised cost

Payable to AKD Investment Management Limited - Management Company	-	-	-	424	424	
Payable to Digital Custodian Company Limited - Trustee	-	-	-	14	14	
Payable to the Securities and Exchange Commission of Pakistan	-	-	-	38	38	
Accrued expenses and other liabilities	-	-	-	654	654	
Payable against purchase of securities	-	-	-	8,477	8,477	
Payable against redemption / conversion of units	-	-	-	1	1	
Sub total	-	-	-	9,608	9,608	
On-balance sheet gap		989	-	-	103,997	104,986
Total profit rate sensitivity gap		989	-	-	103,997	
Cumulative profit rate sensitivity gap		989	-	-	103,997	

As at 30 June 2022						
Particulars	Effective profit rate	Exposed to profit rate risk			Not exposed to profit rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		

% ----- (Rupees in '000) -----

On-balance sheet financial instruments

Financial assets at fair value through profit or loss

Investments	-	-	-	250,736	250,736
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Financial assets at amortised cost

Bank balances	14.25	994	-	-	-	994
Profit receivable on bank deposits		-	-	-	65	65
Deposits		-	-	-	1,058	1,058
Receivable against sale / conversion of units		-	-	-	2,600	2,600
		994	-	-	3,723	4,717
Sub total		994	-	-	254,459	255,453

As at 30 June 2022

Particulars	Effective profit rate	Exposed to profit rate risk			Not exposed to profit rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		

% ----- (Rupees in '000) -----

Financial liabilities at amortised cost

Payable to AKD Investment Management Limited - Management Company	-	-	-	890	890
Payable to Digital Custodian Company Limited - Trustee	-	-	-	27	27
Accrued expenses and other liabilities	-	-	-	53	53
Payable against purchase of securities	-	-	-	636	636
Sub total	-	-	-	1,606	1,606
On-balance sheet gap	994	-	-	252,853	253,847
Total profit rate sensitivity gap	994	-	-	252,853	
Cumulative profit rate sensitivity gap	994	-	-	252,853	

21.1.3 Price risk

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk), whether caused by factor specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Fund has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's Constitutive Documents, the NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments are concentrated in the sectors given in note 6.1.

At 30 June 2023, the fair value of equity securities exposed to price risk is disclosed in note 6.1.

The following table illustrates the sensitivity of the profit for the year and the unit holders' fund to an increase or decrease of 5% in the fair values of the Fund's equity securities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Fund's equity securities at each reporting date, with all other variables held constant.

	2023	2022
	----- (Rupees in '000) -----	
<i>Effect due to increase / decrease in index</i>		
Investment and net assets	<u>5,141</u>	<u>12,537</u>
Income statement	<u>5,141</u>	<u>12,537</u>

21.2 Credit risk

Credit risk represents the risk of a loss if the counterparties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable (if any) on equity securities.

Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed financial institutions with reasonably high credit ratings. Credit risk on account of profit receivable is minimal due to the statutory protection. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC Rules and the Regulations and the guidelines given by the SECP from time to time.

The maximum exposure to credit risk before considering any collateral as at 30 June 2023 is the carrying amount of the financial assets. None of these assets are 'impaired' as at reporting nor 'past due but not impaired'.

	2023		2022	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
----- (Rupees in '000) -----				
Investments	102,820	102,820	250,736	250,736
Bank balances	989	989	994	994
Profit receivable on bank deposits	9	9	65	65
Deposits	2,600	2,600	1,058	1,058
Receivable against sale of securities	8,035	8,035	-	-
Receivable against sale / conversion of units	141	141	2,600	2,600
	114,594	114,594	255,453	255,453

The maximum exposure to credit risk before any credit enhancement as at 30 June 2023 is the carrying amount of the financial assets.

The analysis below summaries the credit rating quality of the Fund's financial assets with banks as at 30 June 2023.

Bank balances by rating category	Rating agency	2023		2022	
		Rupees in '000	%	Rupees in '000	%
AA- / A1---- Bankislami Pakistan Limited	PACRA	974	98.49	981	98.69
Suspended ---- Summit BANK Limited	VIS	15	1.51	13	1.31
		989	100%	994	100%

Profit receivable on bank deposits

AA- / A1---- Bankislami Pakistan Limited	PACRA	9	100%	65	100%
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Above ratings are on the basis of latest available ratings at 30 June 2023 assigned by PACRA and VIS Credit Rating Company Limited.

Balance with bank is assessed to have very low expectation of credit risk of default since the banks are highly regulated by the State Bank of Pakistan. None of the balance with banks at the end of the reporting year is past due, and taking into account the historical default experience and the current credit ratings of the banks, the management of the Fund have assessed that there is no impairment, and hence have not recorded any loss allowance on this balance.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in equity securities which are diversified and relate to various sectors. The Fund's portfolio of other financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

21.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to daily settlement of equity securities and daily cash redemptions, if any, at the option of unit holders. The Fund approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the current year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining year at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

As at 30 June 2023					
	Within one month	Over one to three months	Over three to twelve months	Over one to five years	Total
----- (Rupees in '000) -----					
Financial liabilities					
Payable to AKD Investment Management Limited - Management Company	424	-	-	-	424
Payable to Digital Custodian Company Limited - Trustee	14	-	-	-	14
Payable to the Securities and Exchange Commission of Pakistan	38	-	-	-	38
Accrued expenses and other liabilities	654	-	-	-	654
Payable against purchase of securities	8,477	-	-	-	8,477
Payable against redemption / conversion of units	1	-	-	-	1
	<u>9,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,608</u>

As at 30 June 2022					
	Within one month	Over one to three months	Over three to twelve months	Over one to five years	Total
----- (Rupees in '000) -----					
Financial liabilities					
Payable to AKD Investment Management Limited - Management Company	553	-	337	-	890
Payable to Digital Custodian Company Limited - Trustee	27	-	-	-	27
Accrued expenses and other liabilities	636	-	-	-	636
Payable against purchase of securities	53	-	-	-	53
	<u>1,269</u>	<u>-</u>	<u>337</u>	<u>-</u>	<u>1,606</u>

24. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF THE COMMISSION CHARGE**2023
(Percentage)**

1	Investment Managers Securities (Pvt) Limited	20.68
2	Next Capital Limited	16.17
3	Creative Capital Securities Private Ltd	15.03
4	AKIK Capital (Private) Limited	8.61
5	Taurus Securities Limited	6.00
6	AKD Securities Limited	5.64
7	Habib Metropolitan Financial Services Limited	5.34
8	FDM Capital Securities (Private) Limited	4.76
9	DJM Securities Limited	3.42
10	Amanah Investments Limited	3.25

**2022
(Percentage)**

1	Next Capital Limited	20.41
2	Investment Managers Securities (Pvt) Limited	17.59
3	DJM Securities Limited	13.16
4	A.I. Securities (Private) Limited	7.06
5	Pearl Securities Limited	6.03
6	Habib Metropolitan Financial Services Limited	5.90
7	FDM Capital Securities (Pvt) Limited	5.60
8	Sherman Securities (Private) Limited	4.78
9	AKD Securities Limited	2.52
10	Alfalah Securities (Private) Limited	2.41

25. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on 30 June 2023 are as follows:

S.No	Name	Designation	Qualification	Experience in years
1	Mr. Imran Motiwala	Chief Executive Officer	B.Sc. (Marketing)	30
2	Mr. Muhammad Yaqoob	Chief Operating Officer and Company Secretary	MBA (Finance), CFA Charter holder	19
3	Ms. Anum Dhedhi	Chief Investment Officer	B.Sc. (Financial Economics)	12
4	Mr. Sheikh Usman Haroon	Risk Manager	ACCA, CFA Charter holder	9
5	Mr. Danish Aslam	Senior Fund Manager	BS (Accounting & Finance), CFA Level I Passed	5
6	Mr. Ali Abbas	Head of Research	MBA (Finance), CFA Charter holder	7

Ms. Anum Dhedhi is the Manager of the Fund. She is also managing AKD Opportunity Fund, AKD Index Tracker Fund and Golden Arrow Stock Fund.

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26. PATTERN OF UNIT HOLDING

As at 30 June 2023			
	Unit Holders	Number of units held	% of total units
Individuals	354	1,398,592	44.31
Directors	-	-	0
Retirement Funds	3	637,078	20.18
Insurance Companies	3	891,768	28.25
Others	2	228,983	7.26
	362	3,156,421	100

As at 30 June 2022			
	Unit Holders	Number of units held	% of total units
Individuals	376	3,565,299	56.96
Directors	1	2,237	0.04
Associated Companies	1	77,080	1.23
Retirement Funds	8	1,442,445	23.05
Insurance Companies	3	891,768	14.25
Others	3	280,321	4.48
	392	6,259,150	100

27. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

During the year 93rd, 94th, 95th and 96th board meetings were held on 28 September 2022, 28 October 2022, 24 February 2023 and 28 April 2023 respectively. Information in respect of attendance by Directors in these meetings is given below :

S.No.	Name of Director	Number of Meetings Held	Attended	Leave granted	Meetings not attended
1	Mr. Abdul Karim	4	4	-	-
2	Mr. Imran Motiwala	4	4	-	-
3	Ms. Anum Dhedhi	4	4	-	-
4	Mr. Saim Mustafa Zuberi*	4	2	-	-
5	Mr. Ali Wahab Siddiqui	4	4	-	-
6	Mr. Hasan Ahmed	4	4	-	-
7	Ms. Aysha Ahmed	4	4	-	-

*Mr. Saim Mustafa Zuberi resigned from the Board with effect from 21 February 2023

28. GENERAL

28.1 No reclassification to the corresponding figures have been made during the year.

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 22 SEP 2023 by the Board of Directors of the Management Company.

**For AKD Investment Management Limited
(Management Company)**



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

**AKD ISLAMIC STOCK FUND
PERFORMANCE TABLE**

	2023	2022	2021
Total net assets value (Rs '000)	104,864	253,328	425,360
Net assets value per unit - (Rs)	33.2222	40.4732	49.7969
Selling price as at June 30 (Rs)	34.2189	41.6874	51.2907
Repurchase price as at June 30 (Rs)	33.2222	40.4732	49.7969
Highest selling price (Rs)	43.3239	52.0252	53.1992
Lowest selling price (Rs)	32.0354	40.2154	31.3689
Highest repurchase price (Rs)	42.0620	50.5099	51.6497
Lowest repurchase price (Rs)	31.1023	39.0441	30.4552
Return of the Fund			
- capital growth (Rs '000)	(148,464)	(172,032)	298,348
- income distribution (including refund of capital) (Rs '000)	-	-	-
Distribution per unit			
Interim	-	-	-
Final	-	-	-
Average Annual Return			
- Last one year	-17.92	-18.72	66.48
- Last two year	-18.32	16.32	19.62
- Last three year	3.56	5.16	1.95

Note: The portfolio composition of the fund has been disclosed in note 6 to the financial statements.

Past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up.

AKD Islamic Stock Fund
Proxy details issued by Fund
For the year ended June 30, 2023

As per the requirement of Non-Banking Finance Companies and Notified Entities Regulations, 2008, The Board of Directors of AKD Investment Management Limited (the Management Company of the Fund) has formulated Proxy Voting Policy, which is available on Management Company's website (www.akdinvestment.com).

During the year, the Management Company on behalf of the Fund participated in 2 shareholders' meetings. Moreover, details of summarized proxies voted are as follows:

AKDISSF	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	6	6	0	0	-
(%ages)	100	100	0	0	-

Detailed information regarding actual proxies voted by the Management Company on behalf of the Fund will be provided to the unit holders without any charges upon request.



**AKD Investment
Management Ltd.**

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Contact # 92-21-34823003-7

Abbottabad Branch:

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Near Complex Hospital,
Main Mansehra Road, Abbottabad.
Contact # 099-2381431-2

Lahore Branch:

Plaza # 250, 2nd Floor, Phase IV,
Block-FF, D.H.A., Lahore Cantt.
Contact # 0333-0342762-4

E-mail : info@akdinvestment.com
Website : www.akdinvestment.com